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TAGS: [EIND](#) [ETRD](#) [PGOV](#) [PREL](#) [RS](#) [MASS](#)
SUBJECT: INSIDE ROSOBORONEXPORT

REF: A. 07 MOSCOW 5154
[1](#)B. 07 STATE 131941
[1](#)C. 07 STATE 203587

Classified By: Ambassador William J. Burns.
Reasons 1.4 (b) and (d).

[1](#)1. (C) Summary: On February 7, officials at RosoboronExport (ROE), the Russian government's monopoly arms exporter, made it clear how little control the company has over decisions regarding Russia's military sales. Most of the decisions affecting the company, including what products and to which countries to sell arms, are made by Putin and the Federal Service For Military-Technical Cooperation (FSVTS). The officials told us ROE is in search of new markets, and seeks cooperation with the United States, and expressed bewilderment at the U.S.'s imposition of ISNA sanctions in [1](#)2006. While it is not clear how ROE will function as part of the new RosTechnologiya, ROE's former General Director has become the head of this new corporation. The biggest challenge facing ROE, the officials said, was contending with competitors if ROE was to retain its status as one of the largest arms exporters in the world. End Summary.

The Company At a Glance

[1](#)2. (U) On February 7 ROE officials Yevgeniy Shelomanov, Head of the Regional Department, Aleksandr Tytuchenko, Head Expert of the Regional Department, and Vladimir Surzhik, Head Expert of the Prospective Projects Department told us their company is the primary intermediary for Russian arms exports, with offices in 43 foreign countries. All Russian weapons companies export their products via ROE, although individual companies may sell spare parts and offer post-sale support directly to customers. (Comment: Several weapons systems purchasers, notably India and Algeria, have complained about late deliveries, lack of spare parts, and other deficiencies in their procurement of Russian weapons systems. The decentralization of post-sale support and absence of responsible oversight may explain some of these problems. ROE officials seemed unaware of these complaints. End Comment.) The result is that ROE accounts for over 90 percent of Russia's annual arms sales, estimated in 2007 to amount to USD 7.3 billion. ROE does not manufacture any goods, and does not conduct any research and development of products. ROE officials also told us they do not conduct any licensing or end-user checks on their clients.

Seeks New Markets, Including The United States

[1](#)3. (S) ROE officials told us they hope to find new markets

for Russian arms sales, currently second only to those of the United States (ref A), but emphasized that the decision of where to seek new markets was a political one, made by Putin and senior levels of government. They did tell us, however, that they seek greater cooperation with the United States. They complained that they do not fully understand why sanctions have been placed on their company (ref B and C), and expressed disappointment that discussions they had regarding cooperation with the U.S. military to purchase reactive armor were scuttled because of them. We explained U.S. sanctions law and noted that the law required the imposition of sanctions for the sale of certain types of weapons to Iran, North Korea, or Syria. They asserted that no sales of weapons to Iran were prohibited under arms control regimes or international law. ROE officials added that they do not sell certain goods to certain countries, but refused to elaborate, saying that this "secret list" of products and customers to whom they could sell was managed by the GOR.

All The President's Men

14. (C) ROE representatives told us their company "does not involve itself with strategy." Instead, ROE sells weapons to countries as directed by the Russian President, usually via the FSVTS. They added that ROE does not get involved with export licenses or end-user checks. When asked about the future of ROE under its new parent company RosTechnologiya, the ROE representatives replied that they have not been informed of any changes to how ROE will function. "We will continue working as we have been until we get new instructions," they said. They added that RosTechnologiya's structure will be based on ROE's. (Comment: This suggests that RosTechnologiya will, similar to ROE, be a state corporation, rather than a Federal State Unitary Enterprise or a commercial joint stock company, expanding the scope of its activity and latitude in managing its own resources. End Comment.) Sergey Chemezov, ROE's former Director General, now heads RosTechnologiya, while ROE's leadership has passed to Anatoliy Isaykin.

ROE's Main Challenges

15. (C) ROE officials told us their biggest challenges in the future, like all companies, come from their competitors. They said that in order to maintain sales, they must develop new products, find new markets, and outdo their competitors. The weapons industry, they said, is also subject to changes in world politics. They attributed their current good fortunes to "luck" in finding a winning combination.

16. (C) ROE officials dismissed assessments that China and India, traditional ROE customers, would soon develop their own high-quality weapons and even compete with ROE. They said that companies in China and India simply modify Russian weapons and pass them off as their own. They were confident that customers would continue to buy original Russian arms, rather than cheap imitations.

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